

# Emergency coronavirus loans pass £4bn but approval rate is slowing

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Friday May 01 2020, 12.01am, The Times

The Treasury is setting a price for “bounce back” loans for very small businesses, to be available from Monday



Approvals of emergency [coronavirus](#) loans to small businesses slowed last week, even as total loans rose above £4 billion.

The value of the 80 per cent government-backed loans rose 46 per cent from the week before, from £2.8 billion to £4.1 billion in total. The [rate of approvals](#) slowed slightly, with 8,638 customers given the green light compared with 9,000 the week before, according to UK Finance.

The data on the business interruption loans was published before the launch of [100 per cent government-backed](#) “bounce back” loans on Monday, offering up to £50,000 to very small businesses.

The Treasury is due to set the price of the loans, which will be free of interest and fees for the first year, after consulting banks today. Bounce back loans will be free of interest and fees for the first year with fees due to kick in after that. The price is set to be under 3 per cent, lower than the level of coronavirus loans offered by most banks. There is speculation that as the terms are finalised over the weekend, lenders may push for the Bank of England to take the loans directly onto its balance sheet.

Officials are also thinking about how to ensure that banks try to recover the loans from customers in the future given that they have no control over the price of the product and do not bear any risk.

Senior bankers have said there is a danger that the scheme will not be able to operate at full capacity from Monday because of complex legal and logistical issues still to be resolved. However, the loans are expected to attract huge demand from small businesses.

Mike Cherry, chairman of the Federation of Small Businesses, said that the latest business interruption loan figures showed that small businesses were continuing to find it difficult to access loans. “While the volume of lending has almost doubled over the last week, the average value of facilities of £165,000 secured through the scheme remains high,” he said. “This initiative has not worked for the small firms that make up 99 per cent of our business community.”

The Treasury has made several changes to the scheme since it began almost six weeks ago. The most recent is that banks do not have to ask borrowers for evidence to support claims that they will be able to repay loans and will limit other requests to data that they can provide quickly.

Senior bankers have said that the change, plus the structure of the bounce back loans, for which banks will have to do basic checks but no credit checking, could lead to a [big increase in bad debts](#) and fraud.

The Treasury committee repeated a call yesterday for UK Finance to provide it with daily updates about the loans, as it does the chancellor. At present the committee gets only weekly updates. Mel Stride, its chairman, said: “The maximum transparency . . . will help get further vital lending to businesses.”